

SALT LAKE CITY MOSQUITO ABATEMENT DISTRICT

**FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REPORTS**

DECEMBER 31, 2006

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Salt Lake City Mosquito Abatement District

We have audited the accompanying financial statements of the governmental activities and each major fund of Salt Lake City Mosquito Abatement District as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Salt Lake City Mosquito Abatement District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Salt Lake City Mosquito Abatement District as of December 31, 2006, and the respective changes in financial position thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2007, on our consideration of Salt Lake City Mosquito Abatement District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages five through ten is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Pinnock, Robbins, Posey & Richins

June 15, 2007

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

SALT LAKE CITY MOSQUITO ABATEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2006

As management of Salt Lake City Mosquito Abatement District (SLCMAD), we offer readers of the SLCMAD financial statements this narrative overview and analysis of the financial activities of SLCMAD for the fiscal year ended December 31, 2006.

Financial Highlights

- The assets of SLCMAD exceeded its liabilities at the close of the most recent fiscal year by \$4,313,497 (net assets). Of this amount, \$2,263,228 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, SLCMAD's governmental funds reported combined ending fund balances of \$2,329,923. Approximately 82% of this total amount, \$1,919,923, is available for spending at the government's discretion (unreserved, undesignated fund balance).
- At the end of 2006, the SLCMD had \$410,000 in designated reserves in the Capital Projects Fund. These reserves are for the following: extra-ordinary control (\$70,000), while budgeting is done in the General Fund that would meet the need of controlling mosquitoes in Salt Lake City during an average year, certain environmental conditions or diseases might require extra aerial spraying to protect the public; vacation sick-leave and retirement (\$50,000), the SLCMAD's personnel policies provides for a buy-out of unused sick-leave, vacation and compensatory time at the termination of employment; long-term facility maintenance (\$50,000), the SLCMAD's facilities are now fourteen years old, as the aging process continues large maintenance such as replacing roofs, concrete and remodeling will be required; emergency equipment/vehicle replacement (\$40,000), the SLCMAD only carries liability insurance on its vehicles, this amount could replace up to two vehicles in case of a District caused accident; and Old-Site remediation (\$200,000), the SLCMAD occupied its former facility location from 1946 until 1993. After that site was closed, an extensive environmental remediation took place to remove any pesticides that were left in the soil. The SLCMAD has an ongoing (thirty year) agreement with the Utah Department of Environmental Quality to monitor five ground water wells at the old site. The December 31, 2006 ending balance of the designated reserves was \$130,000 less than the previous year. Extra ordinary control category was reduced by \$30,000 (see below for explanation) and old site remediation was lowered by \$100,000 to more closely match the long-term liability identified by the District's environmental consultant Sage Environmental.
- In 2006, the State as a whole saw 158 diagnosed cases of West Nile Virus in humans. Fifty-eight of those cases were in Salt Lake County and thirteen of those were within the boundaries of the SLCMAD. In response to the West Nile Virus epidemic the SLCMAD greatly increased its level of control measures. The SLCMAD treated 229,283 acres for mosquito larvae and adult mosquito control, which compares to a three year average of 169,157 acres. The increased amount of control work greatly increased the amount of spray materials and contracted airplane spraying that was done. During the first and third weeks of August, an emergency cooperative aerial spraying of adult mosquitoes was done by SLCMAD, the South Salt Lake Valley MAD and the Magna MAD. A total of 109,055 acres were treated at a cost of \$205,978. The SLCMAD portion of this emergency spraying was 60,083 acres at a cost of \$113,481. A portion of this cost was offset by money transferred from the designated reserves in the Capital Projects Fund.
- Because of the increased control measures needed to protect the citizens of Salt Lake City from West Nile Virus, the District has had to increase the number of full-time employees, seasonal employees and the number of vehicles during the past three years. The increased number of employees has brought about a need for logistical support. In the fall of 2006, the District started a project to add 2,300 square feet to the existing office building and to remodel 60% of the existing building.

SALT LAKE CITY MOSQUITO ABATEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to SLCMAD's basic financial statements. SLCMAD's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of SLCMAD's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of SLCMAD's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of SLCMAD is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements report functions of SLCMAD that are principally supported by intergovernmental revenues (governmental activities). The governmental activities of SLCMAD consist of mosquito abatement services.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. SLCMAD, like other state and local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of SLCMAD are governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

SLCMAD maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Capital Projects Fund, both of which are considered to be major funds.

SLCMAD adopts an annual appropriated budget for both of its funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

SALT LAKE CITY MOSQUITO ABATEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of SLCMAD, assets exceeded liabilities by \$4,313,497 at the close of the most recent fiscal year.

Approximately 48% of SLCMAD's net assets reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, and vehicles) less any related debt used to acquire those assets that is still outstanding. SLCMAD uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Net Assets

	Governmental Activities	
	2006	2005
Current and other assets	\$ 2,641,113	\$ 2,547,603
Capital assets	<u>2,050,269</u>	<u>1,540,545</u>
Total assets	<u>\$ 4,691,382</u>	<u>\$ 4,088,148</u>
Other liabilities	\$ 355,633	\$ 215,294
Long-term liabilities outstanding	<u>22,252</u>	<u>18,545</u>
Total liabilities	<u>\$ 377,885</u>	<u>\$ 233,839</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 2,050,269	\$ 1,540,545
Unrestricted	<u>2,263,228</u>	<u>2,313,764</u>
Total net assets	<u>\$ 4,313,497</u>	<u>\$ 3,854,309</u>

The balance of unrestricted net assets (\$2,263,228) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, SLCMAD is able to report positive balances in both categories of net assets.

Governmental activities. Governmental activities increased Salt Lake City Mosquito Abatement District's net assets by \$459,188. This increase is consistent with the prior year.

SALT LAKE CITY MOSQUITO ABATEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Changes in Net Assets

	Governmental Activities	
	2006	2005
Revenues:		
Program revenues:		
Charges for service	\$ -	\$ -
Operating grants and contributions	-	-
Capital grants and contributions	-	-
General revenues:		
Property taxes	1,718,531	1,613,130
Unrestricted investment earnings	97,875	60,570
Gain on sale of capital assets	24,248	6,896
Other revenue	18,154	-
Total revenues	<u>1,858,808</u>	<u>1,680,596</u>
Expenses:		
Administration department	717,266	630,279
Shop and equipment maintenance	169,830	130,482
Spraying department	<u>512,524</u>	<u>375,267</u>
Total expenses	<u>1,399,620</u>	<u>1,136,028</u>
Increase in net assets	459,188	544,568
Net assets - beginning	<u>3,854,309</u>	<u>3,309,741</u>
Net assets - ending	<u>\$4,313,497</u>	<u>\$ 3,854,309</u>

Financial Analysis of the Government's Funds

As noted earlier, SLCMAD uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of SLCMAD's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing SLCMAD's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, SLCMAD's governmental funds reported combined ending fund balances of \$2,329,923. Approximately 82% of this total amount or \$1,919,923 constitutes unreserved, undesignated fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is designated to indicate that it is not available for new spending because it has already been committed for a variety of other restricted purposes.

The general fund is the chief operating fund of SLCMAD. At the end of the current fiscal year, unreserved, undesignated (and total) fund balance of the general fund was \$1,603,349.

SALT LAKE CITY MOSQUITO ABATEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The fund balance of SLCMAD's general fund increased by \$35,473 during 2006, compared to \$179,629 in 2005. A key factor in this decrease is as follows:

- Increased control measures to help mitigate the West Nile Virus epidemic, involved a larger staff and more seasonal employees resulting in higher payroll and taxes expenditure, emergency aerial airplane spraying and vehicle maintenance.

General Fund Budgetary Highlights

During the year there was a \$45,500 increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- The increase in revenues between the 2006 General Fund budget that was adopted in December of 2005 and the final amended budget resulted from additional income that came from greater than anticipated interest on money in the Public Treasurer's Investment Fund, an unexpected check from the Redevelopment Agency of Salt Lake City, and more money received from the sale of surplus vehicles than was originally budgeted. The 2006 General Fund budget was amended in December of 2006 to reflect these additional amounts of revenue.

Capital Assets

SLCMAD's investment in capital assets as of December 31, 2006 amounts to \$2,050,269 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, and vehicles. The net increase in SLCMAD's investment in capital assets for the current fiscal year was \$509,724.

Major capital asset events during the current fiscal year included the following:

- A 2,300 square foot addition to the District's office building (listed below as construction in progress) accounted for most of this increase.

Capital Assets (Net of Depreciation)

	Governmental Activities	
	2006	2005
Land	\$ 62,738	\$ 62,738
Buildings	1,212,665	1,245,444
Machinery and equipment	53,326	65,989
Vehicles	150,875	166,374
Construction in progress	570,665	—
TOTAL	\$ 2,050,269	\$ 1,540,545

Additional information on SLCMAD's capital assets can be found in Note 4.

SALT LAKE CITY MOSQUITO ABATEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Economic Factors and Next Year's Budget and Rates

- The budget for 2007 will be very similar to that of 2006. The designated reserves for extraordinary mosquito control has been increased to \$130,000 to make sure that if another epidemic of West Nile Virus occurs that there is sufficient money to accomplish the extra spraying for adult mosquitoes that will be needed.

Requests for Information

This financial report is designed to provide a general overview of SLCMAD's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Manager, 2020 North Redwood Road, Salt Lake City, UT 84116.

BASIC FINANCIAL STATEMENTS

SALT LAKE CITY MOSQUITO ABATEMENT DISTRICT

STATEMENT OF NET ASSETS

DECEMBER 31, 2006

	<u>Governmental Activities</u>
ASSETS:	
Cash and cash equivalents	\$ 2,499,226
Taxes receivable	44,810
Inventories	91,276
Prepaid expenses	5,801
Capital assets not being depreciated:	
Land	62,738
Construction in progress	570,665
Capital assets being depreciated, net of accumulated depreciation:	
Buildings	1,212,665
Machinery and equipment	53,326
Vehicles	<u>150,875</u>
TOTAL ASSETS	<u>\$ 4,691,382</u>
LIABILITIES:	
Accounts payable and accrued liabilities	\$ 176,190
Contingencies	135,000
Noncurrent liabilities:	
Due within one year	44,443
Due in more than one year	<u>22,252</u>
TOTAL LIABILITIES	<u>\$ 377,885</u>
NET ASSETS:	
Invested in capital assets, net of related debt	\$ 2,050,269
Unrestricted	<u>2,263,228</u>
TOTAL NET ASSETS	<u>\$ 4,313,497</u>

SALT LAKE CITY MOSQUITO ABATEMENT DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2006

Function/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Administration department	\$ 717,266	\$ -	\$ -	\$ -
Shop and equipment maintenance	169,830	-	-	-
Spraying department	512,524	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 1,399,620	\$ -	\$ -	\$ -
General revenues:				
Property taxes				1,718,531
Unrestricted investment earnings				97,875
Other revenue				18,154
Gain on sale of capital assets				24,248
TOTAL GENERAL REVENUES				1,858,808
CHANGE IN NET ASSETS				459,188
NET ASSETS - BEGINNING				3,854,309
NET ASSETS - ENDING				\$ 4,313,497

The notes to the financial statements are an integral part of this statement.

SALT LAKE CITY MOSQUITO ABATEMENT DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

DECEMBER 31, 2006

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS:			
Cash and cash equivalents	\$ 1,637,652	\$ 861,574	\$ 2,499,226
Taxes receivable	44,810	—	44,810
Inventories	91,276	—	91,276
Prepaid expenses	<u>5,801</u>	<u>—</u>	<u>5,801</u>
TOTAL ASSETS	<u>\$ 1,779,539</u>	<u>\$ 861,574</u>	<u>\$ 2,641,113</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 176,190	\$ —	\$ 176,190
Contingencies	<u>—</u>	<u>135,000</u>	<u>135,000</u>
TOTAL LIABILITIES	<u>176,190</u>	<u>135,000</u>	<u>311,190</u>
Fund Balances:			
Unreserved, designated	—	410,000	410,000
Unreserved, undesignated	<u>1,603,349</u>	<u>316,574</u>	<u>1,919,923</u>
TOTAL FUND BALANCES	<u>1,603,349</u>	<u>726,574</u>	<u>2,329,923</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,779,539</u>	<u>\$ 861,574</u>	<u>\$ 2,641,113</u>

SALT LAKE CITY MOSQUITO ABATEMENT DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

DECEMBER 31, 2006

Total fund balances - governmental fund types	\$ 2,329,923
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	2,050,269
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(66,695)</u>
Net assets of governmental activities	<u>\$ 4,313,497</u>

SALT LAKE CITY MOSQUITO ABATEMENT DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES:			
Property taxes	\$ 1,718,531	\$ —	\$ 1,718,531
Investment earnings	57,706	40,169	97,875
Other income	18,154	—	18,154
TOTAL REVENUES	<u>1,794,391</u>	<u>40,169</u>	<u>1,834,560</u>
EXPENDITURES:			
Current:			
Administration department	695,918	3,538	699,456
Shop and equipment maintenance	111,224	—	111,224
Spraying department	512,524	—	512,524
Capital outlay	—	580,309	580,309
TOTAL EXPENDITURES	<u>1,319,666</u>	<u>583,847</u>	<u>1,903,513</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>474,725</u>	<u>(543,678)</u>	<u>(68,953)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in (out)	(463,500)	463,500	—
Sale of capital assets	24,248	—	24,248
TOTAL OTHER FINANCING SOURCES AND USES	<u>(439,252)</u>	<u>463,500</u>	<u>24,248</u>
NET CHANGE IN FUND BALANCES	35,473	(80,178)	(44,705)
FUND BALANCES - BEGINNING	<u>1,567,876</u>	<u>806,752</u>	<u>2,374,628</u>
FUND BALANCES - ENDING	<u>\$ 1,603,349</u>	<u>\$ 726,574</u>	<u>\$ 2,329,923</u>

SALT LAKE CITY MOSQUITO ABATEMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

Amounts reported for governmental activities in the statement of
activities are different because:

Net change in fund balances - total governmental funds	\$ (44,705)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	509,724
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	<u>(5,831)</u>
Change in net assets of governmental activities	<u>\$ 459,188</u>

SALT LAKE CITY MOSQUITO ABATEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget- Positive (Negative)</u>
REVENUES:				
Property taxes	\$ 1,661,500	\$ 1,613,500	\$ 1,718,531	\$ 105,031
Investment earnings	25,000	53,000	57,706	4,706
Other income	—	18,000	18,154	154
 TOTAL REVENUES	 <u>1,686,500</u>	 <u>1,684,500</u>	 <u>1,794,391</u>	 <u>109,891</u>
EXPENDITURES:				
Current:				
Administration department:				
Salaries and wages	448,000	448,000	425,935	22,065
Payroll taxes and benefits	226,000	199,500	175,338	24,162
Travel and convention	25,000	25,000	23,966	1,034
Office supplies	36,000	36,000	13,618	22,382
Professional fees	16,500	16,500	6,000	10,500
Insurance	28,500	28,500	18,414	10,086
Board meetings	18,000	18,000	15,269	2,731
Miscellaneous	22,000	22,500	17,378	5,122
Shop and equipment maintenance:				
Equipment maintenance and repairs	8,000	8,000	6,023	1,977
Gasoline, fuels, and oils	14,000	14,000	10,756	3,244
Shop supplies and equipment	98,000	98,000	61,088	36,912
Building maintenance and repairs	20,000	20,000	11,597	8,403
Utilities	13,500	13,500	12,023	1,477
Miscellaneous	10,500	12,000	9,737	2,263
Spraying department:				
Spraying materials	250,000	265,000	288,776	(23,776)
Contracted airplane spraying	173,000	228,000	223,748	4,252
 TOTAL EXPENDITURES	 <u>1,407,000</u>	 <u>1,452,500</u>	 <u>1,319,666</u>	 <u>132,834</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>279,500</u>	<u>232,000</u>	<u>474,725</u>	<u>242,725</u>
OTHER FINANCING SOURCES (USES):				
Transfers	(332,500)	(463,500)	(463,500)	—
Sale of capital assets	5,000	27,000	24,248	(2,752)
 TOTAL OTHER FINANCING SOURCES AND USES	 <u>(327,500)</u>	 <u>(436,500)</u>	 <u>(439,252)</u>	 <u>(2,752)</u>
NET CHANGE IN FUND BALANCES	(48,000)	(204,500)	35,473	239,973
FUND BALANCES - BEGINNING	<u>1,567,876</u>	<u>1,567,876</u>	<u>1,567,876</u>	<u>—</u>
FUND BALANCES - ENDING	<u>\$ 1,519,876</u>	<u>\$ 1,363,376</u>	<u>\$ 1,603,349</u>	<u>\$ 239,973</u>

The notes to the financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

SALT LAKE CITY MOSQUITO ABATEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Salt Lake City Mosquito Abatement District provides mosquito control by a comprehensive program of water management, source reduction, and use of mosquito fish, and larviciding and adulticiding in the Salt Lake City area.

A. Reporting Entity

In evaluating how to define the Salt Lake City Mosquito Abatement District (the District) for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit by the reporting entity was made by applying the criteria set forth in GASB statement No. 14. The basic, but not the only criteria for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other considerations include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service, which considers whether the activity is conducted within the geographic boundaries of the District and is generally available to its citizens. A third criterion used is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities.

The District has no potential component units that meet the criteria set forth above. The financial statements of the District include all fund types required to be included within the financial statements under government accounting and reporting standards.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are generally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applications that purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

SALT LAKE CITY MOSQUITO ABATEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital projects fund* accounts for the resources required for major capital improvements of the District.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

SALT LAKE CITY MOSQUITO ABATEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Reconciliation of Government-wide and Fund Financial Statements

Governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting, while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. As a result, there are important differences between the assets, liabilities, revenues and expense/expenditures reported on the fund financial statements and the government-wide financial statements. For example, many long-term assets and liabilities are excluded from the fund balance sheet but are included in the entity-wide financial statements. As a result there must be a reconciliation between the two statements to explain the differences. A reconciliation is included as part of the fund financial statements.

E. Budgetary Procedures and Budgetary Accounting

Budgetary procedures for the District have been established by the Uniform Fiscal Procedures Act adopted by the State of Utah, which requires the legal adoption of a budget for all funds. Furthermore, in accordance with state law, all appropriations, except capital projects fund appropriations, lapse at the end of the budget year; accordingly, no encumbrances are recorded. The basis of accounting applied to each fund budget is the same basis as the related fund's financial statements.

A formal budget has been adopted and used as a control device during the year.

F. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

G. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided, services rendered and for short-term interfund loans or transfers. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

H. Inventories and Prepaid Items

Tools, supplies, and insecticides classified as inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories are expensed as used.

Payments made to vendors for goods or services that will benefit periods beyond December 31, 2006 are recorded as prepaid items in both government-wide and fund financial statements.

I. Capital Assets

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

SALT LAKE CITY MOSQUITO ABATEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Capital Assets (continued)

In the government-wide financial statements, fixed assets are treated as capital assets. Capital assets include land, buildings, machinery and equipment, and vehicles. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	39
Machinery and equipment	5-10
Vehicles	7

J. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

K. Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation and retirements. Sick pay amounts are charged as wages when used.

Employees can carry-over up to 240 hours of unused vacation from one year to the next. Employees may carry-over up to 960 hours of unused sick leave each year. After accumulation of 240 hours of sick leave, 24 hours of the yearly accrued but unpaid sick leave may be converted to vacation time at the end of each year. Upon termination, one-fourth of accrued sick leave up to 960 hours is paid to the employee. Accordingly, a liability for this amount is included in the government-wide financial statements.

L. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the District to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

SALT LAKE CITY MOSQUITO ABATEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *change in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense". The details of this \$509,724 difference are as follows:

Capital outlay	\$603,650
Depreciation expense	<u>(93,926)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$509,724</u>

3. DEPOSITS AND INVESTMENTS

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The District follows the requirements of the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of the District's funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

a. Deposits

	<u>Bank Balances</u>	<u>Book Balances</u>
Cash on deposit	\$ 76,994	\$ 16,954
TOTAL	<u>\$ 76,994</u>	<u>\$ 16,954</u>

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. As of December 31, 2006, none of the District's bank balances were uninsured and uncollateralized.

SALT LAKE CITY MOSQUITO ABATEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. DEPOSITS AND INVESTMENTS (CONTINUED)

b. Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury, including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "a" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses-net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. The District's investment in the PTIF is unrated.

As of December 31, 2006, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
State of Utah Public Treasurer's Investment Fund	<u>\$2,482,272</u>	<u>\$2,482,272</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. Except for funds of Institutions of Higher Education acquired by gifts, grants, or the corpus of funds functioning as endowments, the Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate

SALT LAKE CITY MOSQUITO ABATEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. DEPOSITS AND INVESTMENTS (CONTINUED)

negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed. As of December 31, 2006, the District's investments in the State of Utah Public Treasurer's Investment Fund were unrated.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy for reducing the risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5%-10% depending upon total dollar amount held in the portfolio.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk.

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 62,738	\$ —	\$ —	\$ 62,738
Construction in progress	—	570,665	—	570,665
Total capital assets not being depreciated	62,738	570,665	—	633,403
Capital assets being depreciated:				
Buildings	1,581,390	9,643	—	1,591,033
Machinery and equipment	110,098	—	(6,321)	103,777
Vehicles	349,915	23,342	(44,974)	328,283
Total capital assets being depreciated	2,041,403	32,985	(51,295)	2,023,093
Less accumulated depreciation for:				
Buildings	(335,946)	(42,422)	—	(378,368)
Machinery and equipment	(44,109)	(12,663)	6,321	(50,451)
Vehicles	(183,541)	(38,841)	44,974	(177,408)
Total accumulated depreciation	(563,596)	(93,926)	51,295	(606,227)
Total capital assets, being depreciated, net	1,477,807	(60,941)	—	1,416,866
CAPITAL ASSETS, NET	\$ 1,540,545	\$ 509,724	\$ —	\$ 2,050,269

SALT LAKE CITY MOSQUITO ABATEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the primary government as follows:

Administration department	\$ 11,979
Shop and equipment maintenance	<u>81,947</u>
TOTAL DEPRECIATION EXPENSE	<u>\$ 93,926</u>

5. LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	<u>\$ 60,864</u>	<u>\$ 5,831</u>	<u>\$ -</u>	<u>\$ 66,695</u>	<u>\$ 44,443</u>
TOTAL LONG-TERM LIABILITIES	<u>\$ 60,864</u>	<u>\$ 5,831</u>	<u>\$ -</u>	<u>\$ 66,695</u>	<u>\$ 44,443</u>

6. EMPLOYEE RETIREMENT PLANS

Plan Description: The Salt Lake City Mosquito Abatement District (District) contributes to the Local Governmental Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1(800) 365-8772.

Funding Policy: In the Local Governmental Noncontributory Retirement System the District is required to contribute 11.09% from January-June and 11.59% from July-December of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The District contributions to the Noncontributory Retirement System for the years ending December 31, 2006, 2005, and 2004 were \$38,850, \$30,173, and \$30,870 respectively. The contributions were equal to the required contributions for each year.

The District's full-time employees also participate in a 401(k) plan administered by the System. The District contributions to the 401(k) plan for the years ending December 31, 2006, 2005, and 2004 were \$6,851, \$5,442, and \$5,947, respectively.

SALT LAKE CITY MOSQUITO ABATEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. DESIGNATED FUND BALANCE

The board has elected to designate part of the Capital Projects Fund Balance to the following items:

	<u>Projects Fund</u>
Long-term facility maintenance	\$ 50,000
Extra-ordinary control	70,000
Vacation, sick leave, retirement	50,000
Emergency equipment/vehicle replacement	40,000
Other contingency items	<u>200,000</u>
	<u>\$ 410,000</u>

8. CONTINGENT LIABILITY

The District is currently involved in environmental issues with respect to contaminants found on the old building site. During 1998, the District entered into a Stipulation and Consent Agreement with the Utah Solid and Hazardous Waste Control Board. The District will be financially responsible for all corrective action costs and for all costs related to environmental monitoring, inspecting, maintaining, and repairing any remedial systems, monitoring components, and corrective structures until project closure. Project closure shall be thirty years after closure certification. The District has engaged a consultant for providing environmental investigation and remediation consulting services. The District has established an accrued liability at December 31, 2006 amounting to \$135,000 to cover the costs.

9. COMMITMENTS

During the year, the District entered into a contract for construction of a building addition. As of December 31, 2006, there was approximately \$129,000 outstanding on the contract.



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Salt Lake City Mosquito Abatement District

We have audited the financial statements of Salt Lake City Mosquito Abatement District as of and for the year ended December 31, 2006, and have issued our report thereon dated June 15, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Salt Lake City Mosquito Abatement District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Salt Lake City Mosquito Abatement District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider certain deficiencies described in the accompanying management letter to be significant deficiencies in internal control over financial reporting (items 1 through 2).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 1 through 2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Salt Lake City Mosquito Abatement District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board of Trustees, management, and applicable regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Pinnock, Robbins, Posey & Richins

June 15, 2007



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INDEPENDENT AUDITORS' REPORT ON STATE OF UTAH LEGAL COMPLIANCE

To the Board of Trustees
Salt Lake City Mosquito Abatement District
Salt Lake City, Utah

We have audited the financial statements of Salt Lake City Mosquito Abatement District for the year ended December 31, 2006, and have issued our report thereon dated June 15, 2007. Our audit included testwork on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance

Truth in Taxation and Property Tax Limitations
Special Districts
Other Compliance Requirements

The District did not receive any major or nonmajor State grants during the year ended December 31, 2006.

The management of Salt Lake City Mosquito Abatement District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Salt Lake City Mosquito Abatement District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2006.

This report is intended for the use of Salt Lake City Mosquito Abatement District's management, Board of Trustees, and applicable federal and state agencies. However, this report is a matter of public record and its distribution is not limited.

Pinnock, Robbins, Posey & Richins

June 15, 2007



PINNOCK, ROBBINS, POSEY & RICHINS

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June 15, 2007

To the Board of Trustees
Salt Lake City Mosquito Abatement District

As part of our audit of the financial statements of Salt Lake City Mosquito Abatement District (the District), professional standards require that we communicate, in writing, deficiencies in internal control over financial reporting (internal control) that rise to the level of "significant deficiencies" or "material weaknesses" that we identified during our audit of the financial statements.

As we previously discussed, these deficiencies must be communicated even though management may already know about them and may have made a conscious decision to accept these risks because of cost or other considerations. Also, the independent auditor cannot be used as an internal control to overcome internal control deficiencies. With this in mind we are communicating the following matters.

In planning and performing our audit of the financial statements of the District as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

1. Financial Statements

We noted during our audit a deficiency in the design of controls to produce financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), as required by the Government Accounting Standards Board. The District relies on the financial statement audit to produce government-wide financial statements and certain required disclosures.

Management's Response

The District Clerk produces financial statements which are designed to aid the District in its operations and to present financial statements in a manner that help the Manager and Board of Trustees see an operation picture of what the financial situation is at any point in time. The District does rely on the auditors to present the financial statements produced by the District Clerk in an acceptable GAAP format.

2. Capital Asset Depreciation

We noted during our audit a deficiency in the design of controls to properly calculate depreciation on capital assets. The District is required to report capital assets and depreciation in the government-wide financial statements.

Management's Response

The District will implement a procedure requiring the District Treasurer to review and recalculate depreciation calculations made by the Assistant Manager.

STATE LEGAL COMPLIANCE

During our audit, we noted a matter involving State of Utah Legal Compliance requirements that are presented for your consideration.

3. Budget Public Hearing

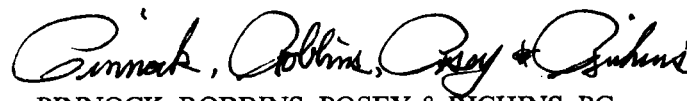
During our audit, we noted that the District did not give the required notice of the public hearing held to consider the adoption of the District's budget. The District provided four days' notice of the hearing. State law requires notice of the hearing to be published at least seven days prior to the hearing. **We recommend that the District implement controls to insure that required notice of the budget hearing be provided, as required by state law.**

Management's Response

The District's notice for the 2006 budget hearing was published in the Salt Lake Tribune and Deseret Morning News legal advertisement section four days before the hearing. Management is aware that it made a mistake in placing the advertisement too close to the actual meeting date. Management will make every effort to make sure that future meetings are advertised at least seven days prior to the hearing.

Salt Lake City Mosquito Abatement District's written responses to the significant deficiencies and material weaknesses identified in our audit have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, members of the board of trustees of the District, and regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties.


PINNOCK, ROBBINS, POSEY & RICHINS, PC